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31 January 1952

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TOP SECRET SUPPLEMENT

TO THE DAILY DIGEST

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. GENERAL. US Chiefs of Mission to meet in Paris: A meeting of US Chiefs of Mission in Eastern Europe and State Department representatives is planned in Paris for the first week in March. Participants will discuss: (1) Soviet short and long term intentions particularly with reference to developments in the Satellites; (2) maintenance and conduct of US relations with the Satellites; (3) problems of protecting US official personnel and citizens in the Orbit; (4) possibilities of retaliation and pressure on the Soviet Orbit; (5) US informational and cultural programs, especially Voice of America and Radio Free Europe. (S S/S Outgoing to Moscow 507, 25 Jan 52)

SECTION 2 (EASTERN)

2. LIBYA. Libyan unity threatened by King's attitude: The Libyan King's preference for his native province of Cyrenaica and his apparent disinterest in the more important and heavily populated Tripolitania province endanger the prospects for a united Libya, according to the American Charge in Tripoli. The King seems unwilling or incapable of thinking of the country as a whole. Of the two cabinet ministers who have a true all-Libya outlook, one is definitely slated to go, while the other's tenure appears temporary.

The Charge warns that American interests in the area will be jeopardized by the King's attitude since Tripolitania contains the important US air base, Wheelus Field. He believes that the American, British and French representatives should press the King to accept his responsibilities toward all parts of his kingdom. (S S/S Tripoli 371, 24 Jan 52)

Comment: When Cyrenaica, Tripolitania and the Fezzan were united to create Libya in mid-December, separatist elements were considered a threat to its future. The elections in February will be a major test for the state which, without energetic federal leadership, faces an uncertain future.

3. INDIA/NEPAL/CHINA. India opposed to Chinese-Tibetan official representation in Nepalese capital: In the 6-9 January discussions between the Indian and Nepalese premiers, India advised Nepal not to try to maintain Nepalese representation in Lhasa, since this would enable China to insist upon reciprocal representation in Katmandu. The Indian Government believes that a Chinese-Tibetan mission in Katmandu would be a center for "undesirable activities." (S S/S New Delhi 2542, 19 Jan 52)

Comment: Peiping reportedly asked permission to establish an embassy in Katmandu last summer but was refused, apparently because of Indian opposition. Having since occupied all Tibet, the Chinese Communists are expected to raise

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the representation issue with Nepal again, perhaps through the Tibetan delegation now visiting Katmandu. Their approach may take the form of bargaining over Nepal-Tibet trade relations as well as over retention of the Nepalese representative in Lhasa.

It may be noted that in late December India had advised Nepal to try to maintain Nepalese representation in Lhasa, and two weeks later had reversed that advice on the basis that permitting reciprocal representation would be disadvantageous. India and China are each maneuvering for position in strategic Nepal. Indications are that Communist China will continue to apply political, economic, and military pressure on Nepal, in a drive to undermine Indian influence there.

4. PHILIPPINES. Special consideration of Philippine reparation claims seen as essential in obtaining ratification of Japanese peace treaty; Insistence by the Japanese reparations mission, now in Manila, upon application of the principles of the Indonesian agreement to Philippine discussions (on the theory that the most favored nation treatment should obtain) would prevent any agreement being reached and result in Philippine non-ratification of the peace treaty, according to the Philippine Foreign Secretary. The US Embassy in Manila believes that Japan should be urged to recognize the Philippines' claim to special consideration.

On the other hand, the Japanese position that any commitment on reparations will be made contingent upon Philippine ratification of the treaty is regarded by the Embassy as a good tactic which will facilitate ratification if a reasonably satisfactory agreement can be reached. (S S/S Manila-2681, 30 Jan 52)

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SECURITY INFORMATION

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SECURITY INFORMATION

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SECTION 1 (SOVIET)

1. HUNGARY. Relative of leading Communist defects: Albert Liebermann, former Hungarian Commercial Attache in Tel Aviv, early in December refused to return to Budapest when ordered to by his government. He has asked the Israeli Government for asylum. Liebermann is the brother-in-law of Zoltan Vas, director of the National Planning Office and a member of the Hungarian Workers' Party (Communist) politburo. [REDACTED]

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Comment: Vas has maintained his high position since the Communists gained control of Hungary in 1947 despite his propensity for luxurious living and the fact that his brother is a businessman in London. He is very close to Matyas Rakosi, and like Rakosi spent many years before the war in prison for his Communist activities.

2. YUGOSLAVIA. Yugoslavs attack Russian objectives in the Near East: In an analysis of Soviet Near East policy, the official Yugoslav newspaper Politika states that the Soviet Union is against the basic interests of the Arab nations and that its policy "boils down to an attempt to exploit liberation movements for the USSR's objectives." The article maintains that the minimum objective of the Soviet strategy is to weaken the position of Britain and to isolate the Arab world from the West by preventing an agreement, and that the maximum Soviet objective is to usurp Britain's traditional role by exploiting the chaotic situation. (Plain Belgrade 939, 28 Jan 52)

Comment: This analysis is consistent with previous Yugoslav criticism of imperialism on the part of both major power blocs in the area.

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SECTION 2 (EASTERN)

1. GREECE. Inspector General of Greek Army removed: The Inspector General of the Greek Army, General Kitrilakis, has been relieved "temporarily," on orders of the Minister of Defense. All remaining pro-Papagos officers reportedly are to be removed by May. (S Athens 3416, 29 Jan; S USARMA Athens, MID 40, 29 Jan 52)

Comment: The removal of Kitrilakis, a firm supporter of opposition leader Marshal Papagos, is the result of the struggle for control of the armed forces which has already caused the ouster of several high-ranking pro-Papagos officers who are also pro-American.

This action assumes serious proportions because it directly violates an understanding between the American army mission in Greece and Greek defense officials which provides for consultation on major changes in assignment of Greek army personnel. It is also indicative of increasing political manipulation within the army.

2. Marshal Papagos sets forth conditions for collaboration with Liberals: Opposition leader Marshal Papagos has offered to support a government headed by the Deputy Prime Minister and Liberal leader Venizelos, if the latter will accept conditions set forth by Papagos at a recent meeting held by the two leaders to discuss the possibility of Liberal-Rally collaboration. The conditions demanded by Papagos' Greek Rally include the passing of a law calling for new elections to be held under the majority system in May 1952, the appointment of a Minister of National Defense acceptable to both parties, and the retirement of two or three generals to whom the Rally objects. Rally leaders reportedly feel that such a transition government would test Venizelos' good faith. Papagos has stated that he would subsequently seriously consider a Liberal-Rally coalition without resort to elections if Venizelos' conduct of the transition government were satisfactory. (S Athens 3387, 26 Jan 52)

Comment: This is the most concrete proposal yet offered by Papagos. While Papagos may have made this offer in good faith, the terms he has set suggest that he is more interested in obtaining these concessions than in collaboration. Moreover, there appears at present little chance that Venizelos would be able to live up to the conditions and conduct the government in a manner satisfactory to Papagos.

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3. INDIA. Kashmiri officials decry the theory of a plebiscite: Beginning on 15 January, Kashmiri officials have made an unusual number of public addresses questioning the sincerity of the UN's dealings with Kashmir and censuring the idea of a plebiscite which would pit Hindus against Moslems in determining the future allegiance of the state. The Deputy Prime Minister of Kashmir asserted that "we have demonstrated that people cannot be divided on the basis of religion in our state." (R FBIS, 29 Jan; U New Delhi 2563, 19 Jan; U New Delhi 2519, 16 Jan 52)

Comment: Kashmiri officials have recently expressed their views in New Delhi, Bombay, and Madras, as well as in Kashmir. Their extensive travels suggest that they are waging a campaign to increase Indian popular interest in the Kashmir issue. Their new argument that Kashmiris are all brothers, despite their differing religions, seems designed to raise Indian opposition against a plebiscite which would split the state on religious grounds.

4. Kashmiri Revenue Minister to visit Peiping in March: According to the Indian press, Mirza Afzal Beg, Revenue Minister of Indian-held Kashmir, is the leader of a four-man delegation planning to visit Peiping in March to study Communist Chinese land reforms and agricultural development. (U New Delhi 2263, 28 Jan 52)

Comment: Beg has been described as a left-wing Socialist, tolerant of Communism. The government of Indian-held Kashmir, which contains a number of Communists and their sympathizers, has been engaged for some time in efforts to prevent Indian domination of its activities. The National Conference party, which controls the Kashmiri Government, has recently expressed a desire to participate in foreign affairs and defense matters, heretofore handled exclusively by India. The development of close relations between the Kashmir and Tibet or Communist China would increase the present Communist threat to the security of India's northern frontiers.

5. Head lama of Ladakh raises possibility of union with Tibet: On 28 January the Indian press reported that Kushok Bakula, head lama of Ladakh province in eastern Kashmir, had written a letter to Indian Prime Minister Nehru outlining his opinions on Kashmir's future. According to the report, the lama stated that Ladakh of its own free will had chosen to remain with Kashmir as long as Kashmir formed a part of India, but that it would automatically merge with India if a plebiscite in Jammu and Kashmir resulted in favor of Pakistan. If, for any reason, it became impossible for India to annex Ladakh, the Ladakhis would seek political union with Tibet. (U New Delhi 2687, 29 Jan 52)

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Comment: In March 1951 a senior Indian Army officer of outstanding ability informed the US Army Attache that the head lama of Ladakh was oriented more toward Tibet than toward India or Kashmir and would welcome Tibetan administration of his province. Since the head lama of Ladakh exercises considerable influence over the local population, his desires in the matter would probably be followed by the latter. Newly published Chinese Communist geographies reportedly show Ladakh as part of China.

6. BURMA. Formal offer for solution to Nationalist problem made: The Burmese Foreign Minister delivered an aide memoire to the US Embassy in Rangoon officially requesting that the US urge Taipei to order its troops in Burma to evacuate that country. The US Government was also asked to persuade Thailand to facilitate the movement of the Nationalist force through its territory.

This proposal is essentially the same as the informal suggestion made recently by Commander in Chief Ne Win which envisioned the evacuation of the Nationalists through Thailand to Formosa. (S Rangoon 730, 29 Jan 52)

7. CHINA/CEYLON. Ceylonese ship rubber to China: The Polish vessel Tobruk cleared Colombo on 29 January with 450 tons of rubber for Communist China. Local Ceylonese circles expect that up to 1,000 tons of rubber for China will also be shipped on the Russian vessel Nicolaev, now in Colombo harbor. Still another rubber shipment to China appears in prospect for the near future; the agent of the Polish Ocean Lines in Colombo has information that the Polish vessel Narwik will call on 16 February with space for 500 tons of cargo. (C Colombo 443, 29 Jan 52)

Comment: The only other shipment of Ceylonese rubber to China was made last October. Efforts since that time to obtain Ceylonese rubber have been frustrated by the unavailability of shipping space. Recent reports, however, have indicated increased confidence on the part of both Chinese and Ceylonese that Satellite shipping to carry rubber to China would be available early in 1952.

8. CHINA. Chinese Communist preparations for attacks on Nationalist-held Islands reported: [REDACTED] reports that during the first two weeks of 1952 the following Chinese Communist activities indicated impending attacks on Nationalist-held islands off the Chekiang coast: (1) heavy radio traffic among Chinese Communist army units stationed in the area; (2) establishment of six new Chinese Communist radio stations on Tinghai Island, off the north coast; (3) movement southward from Shanghai of 4 naval vessels; and (4) activity among naval vessels and landing craft off Shihp'u, on the north Chekiang coast. [REDACTED]

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Comments: The Chinese Communists captured Tung T'ou Island between 11 and 14 January. This action and other indicators have been interpreted to presage an offensive against other Nationalist-held islands off the China coast as the weather conditions become more favorable.

9. KOREA. Replacement of ROK delegate to cease-fire talks announced: A French news agency in Tokyo reported on 29 January that Major General Yu Chae Hyong, Deputy Chief of Staff of the ROK Army, has replaced General Lee as the South Korean delegate at the cease-fire negotiations at Panmunjom. His selection marks the third change in representatives by the ROK since last October. (R FBIS, 29 Jan 52)

Comment: Yu, a product of the Japanese military system, has been with the Korean Gendarmerie and Army since 1946. In 1949 Yu was a colonel and conducted an effective anti-guerrilla campaign on Cheju Island, and in 1950 he served successively as commanding general of the 6th, 2nd, and 7th divisions. Reported as a Major General in May 1951, Yu was appointed Vice-Chief of Staff of the South Korean Army.

10. JAPAN. Japanese emphasize need for popular support of Security Treaty arrangements: Ambassador Rusk reports that at the first meeting of US and Japanese negotiators concerned with working out the administrative details of the Security Treaty, the Japanese once again made an appeal that the national sentiment of their people be considered. Pointing to Socialist Party opposition to the treaty, the Japanese emphasized the necessity of gaining popular understanding and support for the pact, which will provide for the stationing of American troops in Japan following the end of the occupation. (S Tokyo 1576, 29 Jan 52)

Comment: There is considerable concern among Japanese Government leaders that opposition to the US-Japan Security Treaty, now being expressed by the Socialist and Communist Parties, will increase unless the post-occupation arrangements reflect substantial, visible changes from the current situation. The need to retain facilities for prosecution of the Korean war, and the lack of substitute facilities, will prevent complete fulfillment of Japanese desires.

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## SECTION 3 (WESTERN)

1. EAST GERMANY. Government to offer asylum to West German youths evading military service: The East German Government has reportedly drafted a law which will offer political asylum to West German youths evading conscription. It plans to submit the draft to the East German People's Chamber during the defense debate in the West German Bundestag. (R FBIS, Konstanz Suedkurier, Berlin, 25 Jan 52)

Comment: Such an offer, which would attract few West German draft-evaders and have little effect in reducing Bundestag support for West German defense measures, is designed for its propaganda effect of contrasting the "warlike" measures of the West with the "peaceful" struggle of the East. It is unlikely that many non-Communists would be attracted by this offer, and Communist youths might very well be ordered to remain in West Germany for underground activities.

2. FRANCE. Barter transactions reportedly increasing in French-US trade: The US Embassy in Paris reports that "barter" transactions between French and US firms are increasing in frequency and volume as a result of the dollar shortage and high price levels in France. The general barter pattern involves the sale of French goods for US dollars at a loss, while these dollars can be used to import US goods, later sold for enough to recoup the loss and make a profit.

Although only a relatively small percentage of the total trade is involved, the French economic press is concerned over "government encouragement" of this practice, and the national businessmen's association is trying to discourage it because of a fear that the tendency to calculate these transactions at an unofficial rate of 420 francs to the dollar will exert pressure for official devaluation from the current rate of 350 francs per dollar. (C Paris 4463, 25 Jan 52)

Comment: Rumors of a devaluation arose early last autumn when the franc began to slip in value. The black-market rate for the dollar has hovered near 440 francs in recent weeks, despite the government's severe credit restrictions, which have aroused much popular opposition. The deep cuts in exports, due to German competition and rising French prices, have caused considerable suffering in certain French industries, such as glove-making.

3. AUSTRIA. Police arrest intermediaries in scrap armament shipments to the East: The Austrian police have arrested a number of persons implicated in the illegal shipment of cannon and machine-gun barrels to Orbit countries.

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Austrian officials charge that 160 tons of cannon barrels and 10,000 machine-gun barrels, reputedly from hidden World War II stocks, were delivered as "commercial steel" to the Hungarian Restitution Commission. An additional 700 tons of such material were confiscated in Graz. Newspaper accounts assert that Soviet Enterprises in Austria was involved in the smuggling.

The US Embassy in Vienna reports that it had known about the German army stocks, which had been regarded as alloy scrap unusable by the Austrian steel industry. Recent information suggests, however, that persons involved in transactions in armament steel in Graz may have had access to steel armament scrap outside of Austria. Last August, according to this source, a steel expert in Graz appraised for an "export-import agent" 1,200 tons of finest Boehler armament steel, including 1,400 gun barrels, two thirds of them precision ground. An intermediary in the prospective deal and part owner of the materials inspected informed the steel expert at that time that his company had previously sold to the export-import agent some 600 tons of armament steel, then in storage in Trieste. (Factual data from: C Vienna 2457, 26 Jan 52; S Salzburg Joint Week 4, 26 Jan 52; S/Control SO 77692, London, 10 Jan 52)

4. NETHERLANDS. Dutch protest delay in receipt of US military equipment: The Netherlands has officially protested to US authorities the uncertainty of deliveries of US military equipment for the two Dutch divisions scheduled to take part in the SHAPE maneuvers next September. Officials state that serious political consequences can be expected if the problem is not solved soon.

The US Embassy at The Hague advises that, in view of the publicity given to Dutch participation in the maneuvers, the US will be publicly blamed for any failure to deliver the promised aid on schedule. Furthermore, delay of the shipments would probably force the Dutch Government to reduce its conscription levies. This would deal a serious psychological blow to the country's defense effort. (S The Hague 768, 29 Jan 52)

Comment: Since last spring Dutch officials have indicated that a lack of equipment might delay fulfillment of their military commitments.

In November, the Dutch hinted that "possibility of war in 1952" was the basis for their insistence on fielding fully equipped divisions for the SHAPE maneuvers. A later report shows that Dutch military leaders are firmly convinced of this possibility.

5. ITALY. Government proposes substantial social welfare program: Simultaneously with its increased rearmament program, the Italian Government has

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announced a broad program of civilian investments designed to reduce unemployment and increase over-all production. The government proposes, among other things, to construct additional low-cost housing, initiate reforestation and work-camp programs to give employment for several hundred thousand youths, and to expand its agricultural development program.

This proposal, which would require about 500 million dollars and some months for implementation, represents a policy concession to important political elements who have been dissatisfied with the restrictive financial policies associated with Budget Minister Pella. The idea has been generally received favorably, except by the Communists and industrialists; the latter object to the necessary additional taxes. (S Rome Joint Week 3, 25 Jan 52; P Rome 3323, 24 Jan 52; R FBIS, 25 Jan 52)

Comment: The announcement of this program is calculated to ease tension within the Christian Democratic Party and dissatisfaction with the government throughout Italy. US officials were informed by Pella some weeks ago, however, that such a program would be announced with an eye to the forthcoming elections, and that after the elections emphasis would be placed on defense, rather than on civilian expenditures. In any event, US observers do not believe that this program could be implemented fast enough to improve the government's position greatly prior to the national elections should they be held this year.

6. ITALY-TRIESTE: Linked-list system urged for Trieste communal elections: The US Political Adviser in Trieste supports the recommendation of the Allied Military Government of Zone A that the Italian electoral law calling for linked lists of parties be adopted in that zone, where local elections may be held this year. The adviser admits that the reasons he advanced last year against adoption of the electoral law are still valid, but states that the intention of the US and UK to meet Italy's wishes in these matters appears the deciding factor in favor of its adoption. (S Trieste 712, 25 Jan 52)

Comment: Last July the US representative had opposed adoption of the electoral law principally on the grounds that the use of linked lists would arouse adverse reaction from the Yugoslavs and might cause a linked-list coalition of Independentists and Cominformists (see OCI Daily Digest, 24 Jul 51).

Despite pressure from the Italian Government for linked lists, moderate pro-Italian parties in Trieste, except for the Christian Democrats, are still unwilling to participate in such an arrangement. In Italy, too, the democratic minority parties are opposed to this system for the local elections scheduled for spring in southern Italy.

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7. CUBA. Communist daily to become weekly magazine: The Communists have announced that La Ultima Hora will become a weekly tabloid magazine instead of a daily newspaper. The US Embassy in Havana comments that the change is probably due to the serious difficulty the Communists are having in obtaining newsprint, to the fact that La Ultima Hora is no longer as necessary to the Communists now that the daily Hoy is once again in circulation, and to the Communist Party's poor financial situation which does not permit the continued publication of two dailies. (C Havana 1095, 8 Jan 52)

Comment: Recent reports have made continual references to the financial strain on the Communist Party caused by the expenses of its publications. (see OCI Daily Digest, 4 Jan 52). Last November, it was reported that the party planned to organize bond-selling campaigns and other fund-raising methods to secure enough money to continue the publication of its newspapers. It was considered essential, however, that the party maintain the appearance of the "independent" status of Ultima Hora (so that it would not suffer suppression along with Hoy) by limiting the publicity of the fund-raising campaigns to Hoy alone. This present report attests to the carrying out of this policy.

8. MEXICO. Decrees will discourage private uranium prospecting and exploitation: Under recently published decrees, private firms in Mexico are not guaranteed exploitation concessions over deposits of fissionable materials which they may discover, even if such deposits are found on property currently being exploited for other minerals. Proposed revisions of the basic mining law involve similar provisions. (U NY Times, 30 Jan 52)

Comment: No uranium is being mined at the present time in Mexico, though the US is interested in stimulating prospecting. The present decrees and the proposed legislation will serve to discourage both US- and Mexican-owned mining companies from engaging in such activity.

9. PANAMA. Czechoslovakia and Poland seek to establish missions in Panama: Poland and Czechoslovakia reportedly desire to establish diplomatic missions in Panama. When questioned about the matter, the Panamanian Foreign Minister said Czechoslovakia had not made an official approach, but that the Polish representative in Mexico had formally requested an exchange of ministers, and had even submitted the name of the proposed chief of mission.

The US Ambassador believes that he may have persuaded the Panamanian Government to refuse the Polish request. (C Panama City 656, 29 Jan 52)

Comment: It was reported last September that the Czechoslovak Minister in Washington had made approaches to Panama for establishing official Czechoslovak representation there. There are still, however, no diplomatic missions from the Orbit in that country.

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The Polish and Czech desire to establish diplomatic missions in Panama is probably motivated by a desire of the Soviet Orbit to establish representatives in key areas.

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